

Labor jumps construction costs, offsetting

Though gloomy prospects for runaway construction cost inflation still confront the industry, pockets of resistance among contractors and their customers are poking a few breaks into the clouds.

Current construction wage pacts build sharply escalating labor costs into 1971, but they call for a somewhat slower rise in 1972. Contractors are starting to unite in their fight to bring the labor cost spiral down from the stratosphere. Their efforts are beginning to bear a little fruit.

Materials prices are steady, though higher costs are pressuring producers to raise prices. Reduced demand this year for some types of construction has cut sales of many materials and

thereby ruled out price advances, at least for the time being.

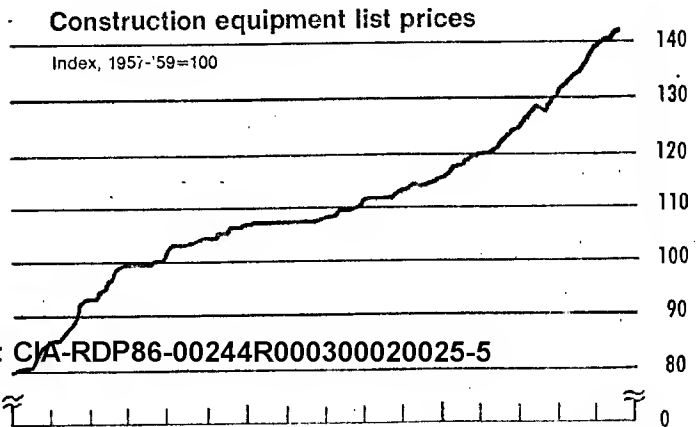
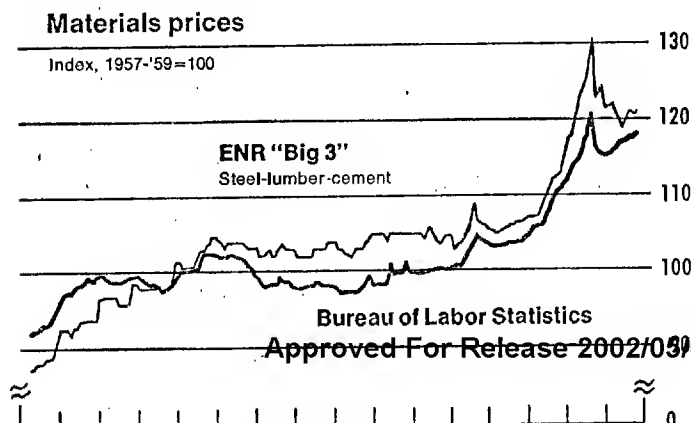
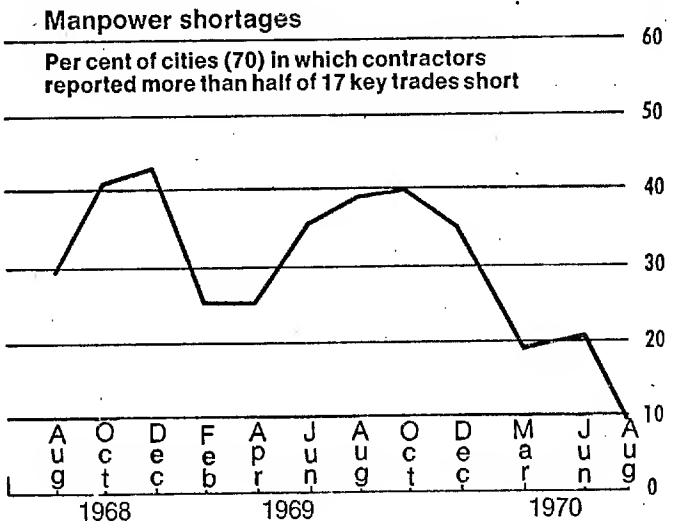
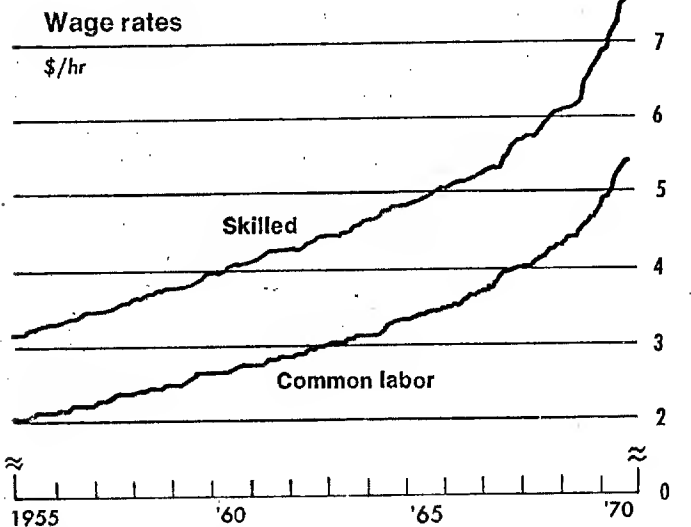
But there have been some price reductions other than the early 1970 slide in lumber and plywood (which have since recouped some of the slide). There were price rollbacks this summer on copper water tubing and some aluminum mill products, triggered essentially by lagging sales that persuaded the manufacturers to absorb increases in their production costs as well as freight rates.

Despite these thin rays of sunshine, construction costs will follow ENR's forecast of an 8.7% increase in the Building Cost Index this year (to 872 by December) and 10.5% next year

(964 in December, 1971). The ENR Construction Cost Index, more heavily weighted with labor, will rise 10% this year and 12% next year (to 1435 in December, 1970, and 1606 in December, 1971).

The most effective preventive medicine to help the industry avoid faster cost inflation next year would be a firmer stand by contractors against labor's demands for increases of \$1 or more per hour, which would represent hourly raises of well over 10% for key trades in all but a few major cities.

An extreme example of what contractors have been up against occurred in New Jersey. Operating engineers demanded \$120 per day scale. Contrac-



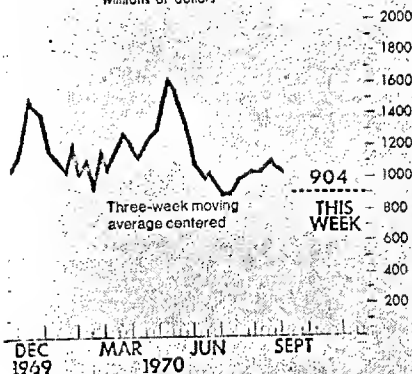
LATEST WEEK

Approved For Release 2002/05/09 : CIA-RDP86-00244R000300020025-5

INDEXES	Sept. 10	Chg fr last	
20-cities	index	month	year
=100	value	%	%
Construction Cost	1,424.70	+0.3	+10.5
Building Cost	859.66	+0.8	+8.0
Common labor (CC)	2,856.44	0	+13.9
Skilled labor (BC)	1,371.26	+0.6	+13.1
Materials	547.19	+1.1	+1.1

NEW CONSTRUCTION PLANS

Millions of dollars



State totals	Week of	Cum. 38 wks	
	Sept. 17	1970	'69-'70
	\$ millions		%
ENR-reported			
Construction plans*	903.8	45,130.3	+22
Heavy const., total	518.4	16,658.7	+83
Water use & control	108.9	5,205.7	+57
Waterworks	16.4	954.6	+10
Sewerage	89.6	3,402.9	+54
Treatment plants	46.8	1,377.1	+133
Earthwork, waterways	2.8	848.3	+182
Transportation	372.4	8,887.9	+274
Highways	366.1	6,424.0	+626
Bridges	0.3	913.5	+139
Airports	5.5	762.2	-30
Terminals, bldgs.	1.6	369.1	-46
Gas, gas, comm.	26.4	2,122.3	+7
Other heavy const.	10.8	442.8	-67
Res. bldg. total	270.0	20,355.6	+1
Manufacturing	19.2	1,970.5	-19
Commercial	69.7	5,590.2	-6
Offices	31.5	2,537.9	-3
Stores, shop. ctrs.	23.8	1,897.9	-22
Educational	85.5	5,816.3	+5
College, univ.	36.8	2,638.7	+6
Medical	44.0	3,199.2	+3
Hospital	31.6	2,369.2	+24
Other	51.6	3,779.5	+20
Housing, multiunit*	115.4	8,136.5	+3
Apartment	76.4	6,002.1	+12

*Excludes 1-2 family houses. Minimum sizes included are: industrial plants, heavy and highway construction, \$500,000; buildings, \$500,000. † 4-day week.

NEW CONSTRUCTION CAPITAL

	Week of	Cum. 37 wks	
	Sept. 10	1970	'69-'70
	\$ millions		%
Total new capital	337.1	18,987.9	+55
Corporate securities	218.3	8,611.2	+76
State and municipal	115.0	10,220.6	+43
Federal grants, loans	3.8		
Federal projects	0	0	0

ENR COST INDEXES IN 22 CITIES

Based on 1913 U.S. average = 100

City	CONSTRUCTION COST			BUILDING COST		
	Sept. '70 Index	Percent change from last month	Percent change from last year	Sept. '70 Index	Percent change from last month	Percent change from last year
Atlanta	1,026.49	+0.1	+6.1	759.45	+1.6	+6.2
Baltimore	1,112.91	+0.1	+9.6	821.93	+0.1	+10.4
Birmingham	1,030.05	+0.7	+1.5	899.64	+1.1	+1.0
Boston	1,433.69	0	+9.2	878.40	+0.7	+8.1
Chicago	1,601.76	+0.1	+13.6	950.33	+0.2	+11.6
Cincinnati	1,603.82	0	+12.0	886.55	0	+7.6
Cleveland	1,751.70	+0.1	+8.5	954.16	0	+6.5
Dallas	1,167.22	-1.5	+6.3	775.06	+1.5	+1.3
Denver	1,204.28	+0.3	+7.6	819.36	0	+12.9
Detroit	1,666.85	+0.2	+9.5	961.49	0	+3.0
Kansas City	1,489.34	0	+28.5	809.79	0	+6.2
Los Angeles	1,482.32	+7.9	+14.8	813.31	0	+7.5
Minneapolis	1,517.86	0	+19.3	870.82	0	+13.5
New Orleans	1,136.50	+2.2	+10.6	746.79	+0.1	+2.4
New York	1,768.58	+0.2	+9.5	998.59	+0.4	+9.4
Philadelphia	1,390.07	0	+15.2	904.02	0	+7.9
Pittsburgh	1,426.28	+0.8	+3.6	918.61	+1.2	+10.0
St. Louis	1,651.22	+0.7	+12.1	852.25	+1.0	+9.3
San Francisco	1,587.20	-1.7	+7.6	933.56	+6.6	+12.1
Seattle	1,402.76	+0.4	+5.5	795.87	+0.7	+6.9
U. S.—20-cities' avg.	1,422.54	+0.3	+10.7	857.50	+0.8	+7.7
Montreal	1,186.74	0	+2.6	737.43	0	+2.1
Toronto	1,226.24	+0.3	+13.7	765.08	+0.5	+9.9

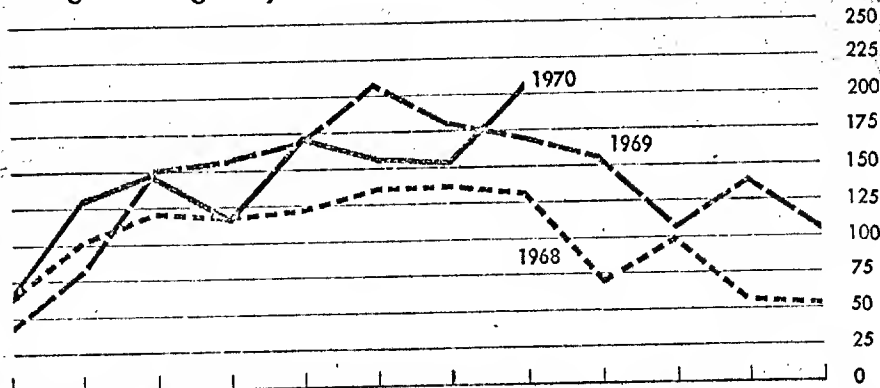
ENR WAGE, MATERIALS AND COST INDEXES IN 20 CITIES

Based on each city's 1957-59 average = 100

City	COMMON LABOR		SKILLED LABOR		MATERIALS PRICES		Const Cost Index	Bldg Cost Index
	Sept. Index	% chg fr Sept. '69	Sept. Index	% chg fr Sept. '69	Sept. Index	% chg fr Sept. '69		
Atlanta	212	+7.6	192	+8.5	135	+3.1	181	163
Baltimore	189	+15.9	197	+21.6	117	-4.0	161	155
Birmingham	204	+4.0	162	+0.6	127	+2.4	172	145
Boston	211	+10.5	203	+10.9	124	+2.5	182	164
Chicago	213	+17.0	213	+17.7	135	+3.1	187	174
Cincinnati	248	+15.9	216	+14.3	134	-1.3	215	173
Cleveland	230	+10.6	227	+10.7	132	0	201	180
Dallas	248	+11.7	186	+6.9	149	-7.1	208	167
Denver	203	+8.6	213	+18.3	112	+4.7	166	156
Detroit	230	+16.2	235	+14.0	112	-14.8	192	171
Kansas City	239	+42.3	192	+13.6	123	-4.8	195	153
Los Angeles	213	+17.0	194	+7.8	117	+6.4	184	155
Minneapolis	230	+25.7	218	+23.8	114	0	181	159
New Orleans	240	+17.1	188	+6.8	122	-5.3	182	153
New York	225	+10.8	209	+11.8	112	+3.7	193	164
Philadelphia	218	+23.9	208	+17.5	109	-7.2	179	159
Pittsburgh	208	+1.0	199	+9.9	122	+9.9	178	156
St. Louis	247	+12.7	203	+9.7	111	+7.8	201	153
San Francisco	234	+9.3	231	+20.3	126	-1.2	202	180
Seattle	198	+5.9	203	+9.7	125	+2.5	181	167

TRENDS TO WATCH

Bridge and highway bids



Bridge and highway bids hit a 1970 high, just 2% below the June, 1969, record.

SEP 1970

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Approved For Release 2002/05/09 : CIA-RDP86-00244R000300020025-5

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